

State of Alaska FY2008 Governor's Operating Budget

Department of Labor and Workforce Development Employment Security Results Delivery Unit Budget Summary

Employment Security Results Delivery Unit

Contribution to Department's Mission

The mission of the Employment Security RDU is to provide labor exchange, employment and training services, and unemployment insurance to Alaskans and Alaskan businesses thereby advancing opportunities for employment and providing economic stability for communities in Alaska.

Core Services

The Employment and Training Service (ETS) component provides basic labor exchange services, available to all Alaskans by matching employers with job seekers, and specialized employment and case management services for veterans, public assistance recipients, older workers, disabled workers and unemployed workers.

The Unemployment Insurance (UI) program assesses and collects employer contributions for deposit into the UI Trust Fund and pays UI benefits to workers who are temporarily unemployed.

The Adult Basic Education (ABE) Program prepares Alaskans for employment by providing instruction in the basic skills of reading, writing, mathematics, and General Educational Development (GED) preparation and testing through grantees. Emphasis is given to integrating practical life skills and workplace readiness skills into instruction.

End Results	Strategies to Achieve Results
A: More Alaskans with jobs. <u>Target #1:</u> Increase the percentage of Workforce Investment System participants that enter employment by 1% as compared to the previous year. <u>Measure #1:</u> Percent of Workforce Investment System participants that enter employment.	A1: Increase the number of Alaskans who get jobs. <u>Target #1:</u> Increase the number of Workforce Investment System participants who receive a staff assisted service by 500 as compared to the previous year. <u>Measure #1:</u> Change in number of Workforce Investment System participants who received staff assisted services. <u>Target #2:</u> Increase the number of Workforce Investment System participants by 500 as compared to the previous year. <u>Measure #2:</u> Change in number of Workforce Investment System participants. <u>Target #3:</u> Increase the percentage of Workforce Investment System participants who demonstrate increased basic skills knowledge (reading, writing, mathematics) by 1% as compared to the previous year. <u>Measure #3:</u> Percent of Workforce Investment System participants who demonstrated educational gain. <u>Target #4:</u> Increase the number of job openings placed by employers by 1,000 as compared to the previous year. <u>Measure #4:</u> Change in the number of job openings posted on the department's labor exchange system.
End Results	Strategies to Achieve Results
B: Economic Stability of Local Purchasing Power.	B1: Improve timeliness of UI benefit payments.

Target #1: Maintain local purchasing power during periods of economic downturn.

Measure #1: Increase percent of wage replacement provided by Unemployment Insurance to reflect national target of 50%.

Target #2: Maintain local purchasing power during periods of economic downturn by keeping the reciprocity rate at or above 50%.

Measure #2: Percent of unemployed workers eligible for unemployment insurance benefits (Reciprocity rate).

Target #1: Exceed federal timeliness benchmark of 87% of initial payments within 14 to 21 days.

Measure #1: Percent of timely initial payments to unemployment insurance claimants.

Major Activities to Advance Strategies

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| <ul style="list-style-type: none"> • Increase job ready registrations. • Increase job matching activities. • Provide job search skills and training. • Provide labor market information. • Increase access to services via web-based technology. • Marketing and outreach to employers. • Integrate employment and training services. • | <ul style="list-style-type: none"> • Establish information and referral mechanisms with partner agencies. • Gather skills information from job seekers in remote areas. • Improve labor exchange technology. • Provide more front-end services. • Train call center personnel. • Implementation of call center case management system. • Provide individual time management training to staff. • |
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FY2008 Resources Allocated to Achieve Results

FY2008 Results Delivery Unit Budget: \$51,072,000

Personnel:

Full time	388
Part time	43
Total	431

Performance Measure Detail

A: Result - More Alaskans with jobs.

Target #1: Increase the percentage of Workforce Investment System participants that enter employment by 1% as compared to the previous year.

Measure #1: Percent of Workforce Investment System participants that enter employment.

Fiscal Year	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	YTD Total
FY 2006	53%	52%	54%	53%	53%
FY 2007	0	0	0	0	Forecast 54%

Analysis of results and challenges: New federal reporting requirements went into effect beginning 7/1/2005. The employment data is tracked via a cumulative 4 quarter total. The purpose of the new requirements is to implement common measures between federal employment and training programs and includes changes to criteria for "participants" and "exits" both of which impact the entered employment rate. Prior year data is available but not comparable for this measure because of these changes.

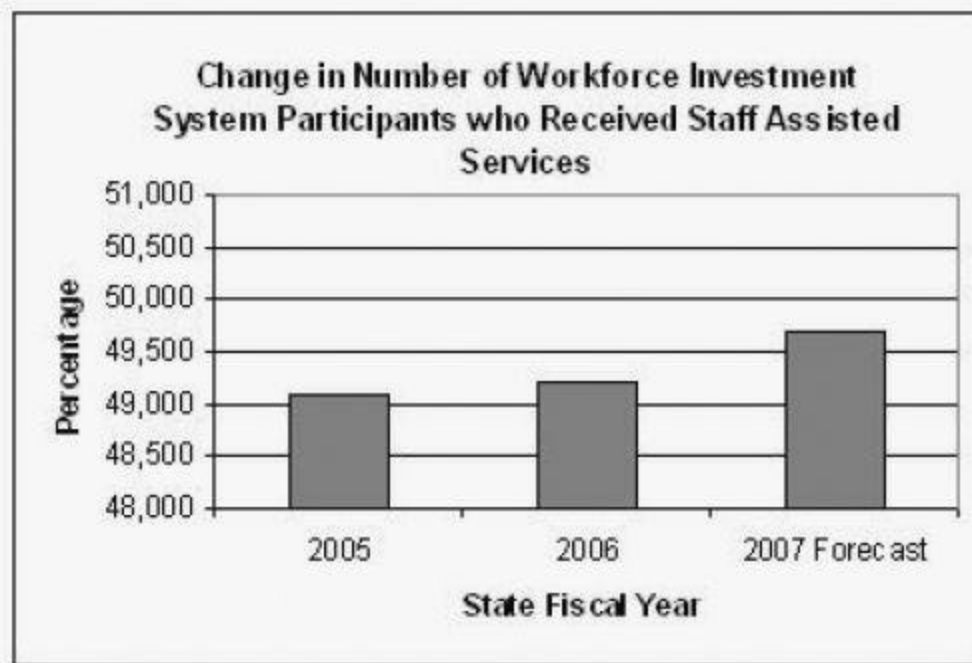
The Workforce Investment System incorporates a wide variety of employment preparation and training services. The program serves all job seekers including those who have multiple barriers to employment that require more intensive services such as case-management and job training that may take up to two years to complete. The wide variety of clients served leads to a lower aggregate percentage of participants entering employment than is seen in a targeted training program dealing with a limited group of participants.

Fiscal Year 2006 is the base line year for new federal measures including the entered employment percentage, and should be the baseline year for our State entered employment measure. In Fiscal Year 2006 there were a total of 78,087 participants, an increase of 13,920 over the previous year. Of these participants, 41,280 entered employment which is an increase of 10,194 over the previous year.

A1: Strategy - Increase the number of Alaskans who get jobs.

Target #1: Increase the number of Workforce Investment System participants who receive a staff assisted service by 500 as compared to the previous year.

Measure #1: Change in number of Workforce Investment System participants who received staff assisted services.



Fiscal Year	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	YTD Total	Change
FY 2005	14,318	11,113	10,663	13,001	49,095	0
FY 2006	12,581	8,552	10,106	17,945	49,184	89
FY 2007	0	0	0	0	Forecast 49,684	Forecast 500

Analysis of results and challenges: Over the last several years the Employment & Training Services component has been making more and more services available via the internet in order to increase and improve access by Alaskans statewide. The most recent online service is the Alaska Labor Exchange system (ALEXsys) that was implemented April 17, 2006. This new system reduces job seekers' reliance on in-person and time-consuming visits with staff, and connects them with employers immediately upon posting a resume. This enables staff to be available to assist those workers with significant barriers to employment who need staff assisted services the most. ALEXsys also tracks the services provided both online and in-person.

Target #2: Increase the number of Workforce Investment System participants by 500 as compared to the previous year.

Measure #2: Change in number of Workforce Investment System participants.

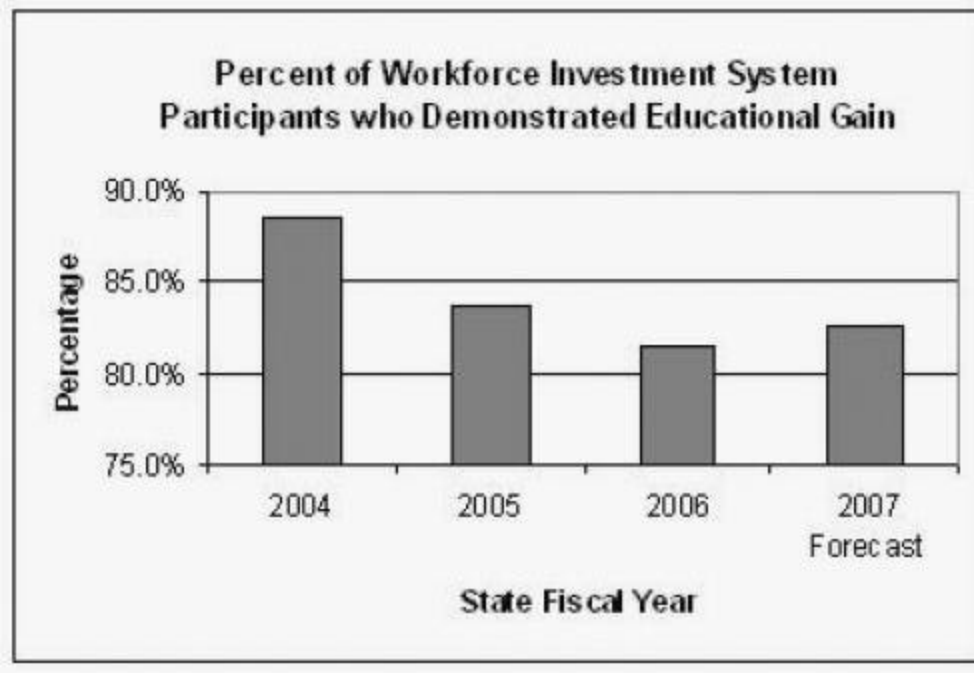
Fiscal Year	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	YTD Average	Change
FY 2006	78,750	77,505	76,740	79,351	78,087	13,920
FY 2007	0	0	0	0	Forecast 78,587	Forecast 500

Analysis of results and challenges: New federal reporting requirements have altered our previous definition of a "registrant" to that of a "participant". This new definition allows for an individual to be counted as a participant more than once in any given four-quarter reporting period if they resume receiving services after having a break in service of 90 days or more. This has resulted in an increase in our overall participation rate.

Fiscal Year 2006 is a new baseline year for federal measures including the total number of participants, and should be the State's baseline year for this measure.

Target #3: Increase the percentage of Workforce Investment System participants who demonstrate increased basic skills knowledge (reading, writing, mathematics) by 1% as compared to the previous year.

Measure #3: Percent of Workforce Investment System participants who demonstrated educational gain.



Demonstrated Educational Gains

Fiscal Year	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	YTD Total
FY 2004					88.5%
FY 2005	81.0%	83.7%	84.9%	85.3%	83.7%
FY 2006	81.7%	81.7%	81.9%	81.2%	81.6%
FY 2007	74.0%	0 0%	0 0%	0 0%	Forecast 82.6%

Analysis of results and challenges: Beginning in FY2004, the percentage reported represents the educational gain demonstrated by students who were given both pre and post-tests assessing basic reading and math skills.

Data on the pre and post-tested students became available in FY2004 when a statewide Adult Basic Education (ABE) database was developed.

Since 2005, further refinements and improvements in testing students and reporting data in the statewide system were introduced which resulted in the percentage dropping slightly from the previous year. The ABE testing and reporting system in Alaska continues to be a "work in progress" as enhancements are introduced. More fluctuation in the percentages are anticipated with the introduction in 2006 of the on-line computerized version of the reading and math assessment, TABE (Test of Adult Basic Education).

In 2006, there was an influx of young participants requesting ABE and tutoring as a result of the State of Alaska high school qualifying exit exams. The baseline number of participants increased, but the exiting of these participants were not captured and therefore not counted in the above percentage.

Target #4: Increase the number of job openings placed by employers by 1,000 as compared to the previous year.

Measure #4: Change in the number of job openings posted on the department's labor exchange system.

Fiscal Year	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	YTD Total	Change
FY 2003					44,632	0
FY 2004	11,619	8,875	11,443	13,986	45,923	1,291
FY 2005	15,344	9,397	12,386	16,783	53,910	7,987
FY 2006	17,033	12,199	12,093	7,309	48,634	(5,276)
FY 2007	0	0	0	0	Forecast 49,634	Forecast 1,000

Analysis of results and challenges: The 4th quarter of Fiscal Year 2006 showed a sharp decline, primarily because of the transition of the job openings data base from a mainframe to an online system. Now that the online system is in place the number of job openings listed is projected to increase annually at a steady pace.

B: Result - Economic Stability of Local Purchasing Power.

Target #1: Maintain local purchasing power during periods of economic downturn.

Measure #1: Increase percent of wage replacement provided by Unemployment Insurance to reflect national target of 50%.

Percent of Wage Replacement

Year	Total
2002	27.9%
2003	27.3%
2004	26.6%
2005	25.8%
2006	Forecast 25.5%

Analysis of results and challenges: The objective of the unemployment insurance weekly benefit amount is to provide a wage replacement that is high enough to cover the claimant's non-deferrable expenses, but not so high as to undermine the incentive to return to work. Alaska's decrease in wage replacement percentage over the years is because the average weekly wage for Alaska continues to go up each year while the average weekly benefit amount remains roughly the same. USDOL encourages a 50% wage replacement rate. The national average is 34.6%.

In 2005 Alaska's wage replacement rate decreased to 25.8%, resulting in Alaska placing 50th in the Nation.

Update: 2006 data will be available September 2007.

Target #2: Maintain local purchasing power during periods of economic downturn by keeping the reciprocity rate at or above 50%.

Measure #2: Percent of unemployed workers eligible for unemployment insurance benefits (Reciprocity rate).

Percent of Unemployed Workers Eligible for UI Benefits

Year	Total
2002	59.2%
2003	54.7%
2004	52.3%
2005	53.0%
2006	Forecast 53.0%

Analysis of results and challenges: Used by USDOL to measure the effectiveness of a States' Unemployment Insurance Program, reciprocity rate is the percentage of unemployed workers eligible for unemployment benefits. Alaska's reciprocity rate is well above the national average of 30.7%. This is due in part to Alaska's qualifying wage requirements being very low (a person only has to have earned \$1,000.00 in a base period to qualify for a benefit year). This causes Alaska's reciprocity rate to be high in comparison to other states because other states qualifying wage requirements are much higher than Alaska's. In addition, Alaska's continuing eligibility requirements are less restrictive than other states. Both Alaska's rate and USDOL's rate will fluctuate from year to year simply because the number of unemployed workers fluctuates from year to year as does the percentage of workers that end up qualifying for benefits.

During calendar year 2005 'average weekly unemployed' was 22,875. During the same year the 'average weeks compensated' was 12,122.

Update: 2006 data will be available September 2007.

B1: Strategy - Improve timeliness of UI benefit payments.

Target #1: Exceed federal timeliness benchmark of 87% of initial payments within 14 to 21 days.

Measure #1: Percent of timely initial payments to unemployment insurance claimants.

Percent of Timely Initial Payments to UI Claimants

Year	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
2006	98.1%	* 92.3%	92.4%	0	Forecast 92.5%

Analysis of results and challenges: *In 2006, 2nd quarter, the federal timeliness benchmark changed to 87% of initial payments made within 14 to 21 days from 95% of initial payments within 35 days. The data reported for 2nd quarter 2006 and the forecast for 2006 reflect this change. Data from prior years is available but is not comparable due to the federal measure change.

Key RDU Challenges

Employment and Training Services (ETS) continues to provide employment and training services to an increased customer base while the federal funding has been reduced. In FY2007 the Wagner-Peyser grant was reduced by more than \$330.0. Further, the federal National Emergency Grant and Reemployment Services grant ended and, coupled with substantial increases in state costs, contributed to the significant loss of temporary and permanent staff.

Due to funding reductions, caused by an overall lower unemployment rate, UI program staffing levels are down from last year by 10%. This creates a challenge for Alaska to meet established goals for timely payments and processing of UI claims. Vacancies in the UI Tax office result in more employer accounts per auditor and fewer technical assistance opportunities to help employers comply with statutory requirements.

To offset some of the funding shortfall in ETS and UI, ESD will be forced for the fourth consecutive year to request use of federal Reed Act funds to support cost increases related to personal service benefits, health care, leases, and technology investments. The Reed Act funds are nearly exhausted and may be fully expended in FY2008.

The demand for ABE services continues to grow. The emphasis on basic skills education includes a growing demand to provide ABE instruction for Alaskans preparing to enter apprenticeship and training programs.

Reduced federal funding and increased cost trends will require more severe cost saving measures in FY2008. If the requested General Funds to support increased PERS costs are not approved the division will be required to make further reductions in personnel, close facilities and eliminate services.

Significant Changes in Results to be Delivered in FY2008

Federal funding shortfalls (resulting in a decrement of \$4.8 million) and cost increases in FY2008 will cause a reduction in in-person staff assisted services. ETS is requesting an increment of \$250.0 in Training & Building Funds. The funds will be used to support the increased operating costs associated with extending Job Center operations to rural areas. Heavy reliance on information technology and web-based consumer products will be necessary to meet federal performance measures.

Federal funding shortfalls (resulting in a decrement of \$2.7 million) and cost increases in FY2008 may diminish the ability of the Unemployment Insurance (UI) program to make timely UI benefit payments to eligible claimants. ESD will concentrate on delivering core UI products electronically to ensure employers and claimants receive adequate and continuous services.

Implementation of the Aggregate Workforce Analytics and Reporting Engine (AWARE) software will allow investigators to better detect organized fraud schemes affecting UI benefits and identify State Unemployment Tax Act (SUTA) avoidance activities. This software also recognizes other illegal activity through similarities and patterns and IP addresses.

Major RDU Accomplishments in 2006

ESD implemented a new internet-based labor exchange system in the fourth quarter. The new system, called the Alaska Labor Exchange System (ALEXsys) provides greater access to labor exchange services for Alaskans across the state. It automates skills-based matching and promotes employer and job seeker interaction and results in better and faster matches between employers and job seekers.

Increased the number of registered job seekers to 78,087, an increase of 13,920 compared to the prior year. Increased Alaskans entering employment over the previous year by 10,194.

Provided job search assistance, facilities, and tools to 220,753 walk-in customers.

Listed 48,634 job openings from employers using our services.

The federal Older American Community Service Employment Program (in Alaska referred to as the Mature Alaskans Seeking Skills Training Program) served 493 participants in FY06, an increase of 105 over the previous year. Of these participants, 96 obtained unsubsidized employment.

Unemployment Insurance benefits totaling \$112.0 million were paid to 51,120 insured workers. This is a decrease of \$11.2 million and 2,487 fewer claims from last year. During the same period over \$177.0 million in contributions was deposited into the UI Trust Fund.

Benefit Payment Control increased collection activities resulting in the recovery of approximately \$3.5 million in benefit overpayments. Of this total, \$670.0 was recovered through PFD levy requests submitted to the Department of Revenue. Of the \$6.2 million in detected and established overpays, 57% has been recovered.

Working with the Legislature SB 306 was passed bringing the state into compliance with the federal State Unemployment Tax Act (SUTA) of 2004. This allows the department to curb certain employer UI tax avoidance activities and establish civil and criminal penalties for violators. Had SB 306 not been enacted, Alaska's UI program could have been decertified and employers in the state would have lost their federal offset credit of 5.4 percent, resulting in \$103.9 million in additional taxes annually. Currently Alaskan employers enjoy a .8 percent FUTA tax rate instead of 6.2 percent. This is the result of Alaska's program successfully remaining in compliance.

Awarded 1,846 GED diplomas in FY2006. Additionally, 81.6% of ABE adult students demonstrated increased basic skills knowledge.

Contact Information

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Employment Security
RDU Financial Summary by Component

All dollars shown in thousands

	FY2006 Actuals				FY2007 Management Plan				FY2008 Governor			
	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds
<u>Formula</u>												
<u>Expenditures</u>												
None.												
<u>Non-Formula</u>												
<u>Expenditures</u>												
Employment and Training Services	67.8	14,207.9	14,068.5	28,344.2	117.6	14,906.1	14,629.6	29,653.3	1,994.2	12,292.9	13,144.6	27,431.7
Unemployment Insurance	13.3	17,648.2	456.1	18,117.6	52.9	20,317.0	732.6	21,102.5	1,753.1	17,818.7	810.4	20,382.2
Adult Basic Education	1,565.0	1,190.1	0.0	2,755.1	2,099.7	1,362.8	0.0	3,462.5	2,116.4	1,141.7	0.0	3,258.1
Totals	1,646.1	33,046.2	14,524.6	49,216.9	2,270.2	36,585.9	15,362.2	54,218.3	5,863.7	31,253.3	13,955.0	51,072.0

Employment Security
Summary of RDU Budget Changes by Component
From FY2007 Management Plan to FY2008 Governor

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2007 Management Plan	2,270.2	36,585.9	15,362.2	54,218.3
Adjustments which will continue current level of service:				
-Employment and Training Services	1,876.6	-1,109.8	-765.1	1.7
-Unemployment Insurance	1,700.2	-1,700.2	0.0	0.0
Proposed budget decreases:				
-Employment and Training Services	0.0	-4,002.3	-2,047.5	-6,049.8
-Unemployment Insurance	0.0	-3,894.3	0.0	-3,894.3
-Adult Basic Education	0.0	-239.2	0.0	-239.2
Proposed budget increases:				
-Employment and Training Services	0.0	2,498.9	1,327.6	3,826.5
-Unemployment Insurance	0.0	3,096.2	77.8	3,174.0
-Adult Basic Education	16.7	18.1	0.0	34.8
FY2008 Governor	5,863.7	31,253.3	13,955.0	51,072.0